

SIGOURNEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2006

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Sigourney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education  
(Before September 2005 Election)**

Kirk Beasley	President	2007
Larry Alderson	Vice President	2005
Rob Campbell	Board Member	2007
Kathy Utterback	Board Member	2007
David Goll	Board Member	2005
Richard Danowsky	Board Member	2006
Lori Yates	Board Member	2006

**Board of Education  
(After September 2005 Election)**

Kirk Beasley	President	2007
Kathy Utterback	Vice President	2007
Rob Campbell	Board Member	2007
Larry Alderson	Board Member	2008
David Goll	Board Member	2008
Richard Danowsky	Board Member	2006
Lori Yates	Board Member	2006

**School Officials**

David Harris	Superintendent	2006
Yvonne Pitsch	District Secretary/Treasurer and Business Manager	2006
Ed Conrad	Attorney	2006

# **NOLTE, CORNMAN & JOHNSON P.C.**

## **Certified Public Accountants**

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3040

Telephone (641) 792-1910

### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education of the  
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District, Sigourney, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2006 on our consideration of Sigourney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sigourney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 17, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Sigourney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,501,729 in fiscal year 2005 to \$5,586,660 in fiscal year 2006, while General Fund expenditures increased from \$5,875,052 in fiscal 2005 to \$6,177,881 in fiscal 2006. This resulted in a decrease in the District's General Fund balance from \$900,230 in fiscal 2005 to \$319,884 in fiscal 2006, a 64.5% decrease from prior year.
- Overall, the District net assets in the governmental activities decreased by \$33,987, and the business-type activities decreased by \$7,854, respectively.
- The September 2005 Certified Enrollment count resulted in a increase of 32 students, representing a 5.2% increase compared to the prior year.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sigourney Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sigourney Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sigourney Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
***Sigourney Community School District Annual Financial Report***

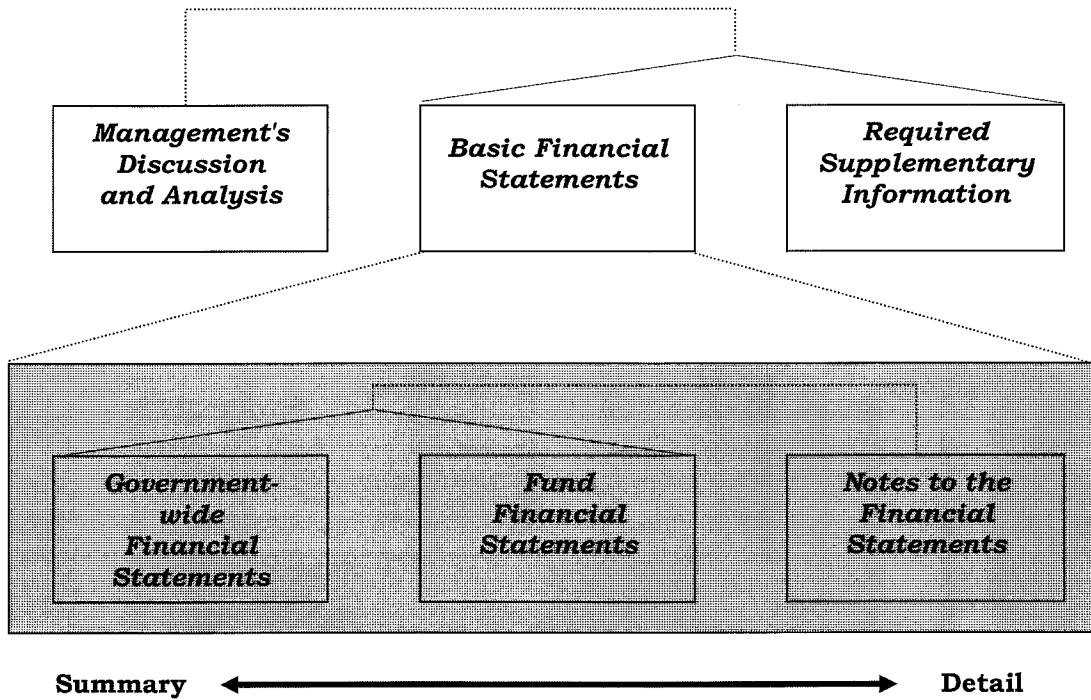


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

<b>Figure A-2</b> <b>Major Features of the Government-Wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.



The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3  
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Current and other assets	\$ 2,952,510	3,568,198	7,233	11,242	2,959,743	3,579,440	-17.31%
Capital assets	2,813,878	2,852,020	26,185	29,354	2,840,063	2,881,374	-1.43%
Total assets	5,766,388	6,420,218	33,418	40,596	5,799,806	6,460,814	-10.23%
Long-term obligations	681,869	1,008,905	0	0	681,869	1,008,905	-32.41%
Other liabilities	1,824,409	2,117,216	2,500	1,824	1,826,909	2,119,040	-13.79%
Total liabilities	2,506,278	3,126,121	2,500	1,824	2,508,778	3,127,945	-19.79%
Net assets:							
Invested in capital assets, net of related debt	2,699,326	1,877,131	26,185	29,354	2,725,511	1,906,485	42.96%
Restricted	183,133	496,286	0	0	183,133	496,286	-63.10%
Unrestricted	377,651	920,680	4,733	9,418	382,384	930,098	-58.89%
Total net assets	\$ 3,260,110	3,294,097	30,918	38,772	3,291,028	3,332,869	-1.26%

The District's combined net assets decreased by 1.26%, or \$41,841, over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 63.10% or \$313,153 over the prior year. The decrease was primarily the result of the reclassification of the Capital Projects fund balance from a restricted balance to the invested in capital assets net of related debt.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- decreased 58.89% or \$547,714 over the prior year. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets for the year ended June 30, 2006 compared to June 30, 2005.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for services	\$ 543,936	630,522	127,691	119,238	671,627	749,760	-10.42%
Operating grants and contributions and restricted interest	778,767	714,904	131,877	124,043	910,644	838,947	8.55%
General revenues:							
Property tax	2,135,358	2,080,035	0	0	2,135,358	2,080,035	2.66%
Local option sales and service tax	331,137	291,407	0	0	331,137	291,407	100.00%
Unrestricted state grants	2,666,216	2,613,168	0	0	2,666,216	2,613,168	2.03%
Other	75,366	26,132	100	78	75,466	26,210	187.93%
Total revenues	6,530,780	6,356,168	259,668	243,359	6,790,448	6,599,527	2.89%
Program expenses:							
Governmental activities:							
Instructional	4,419,105	4,358,366	0	0	4,419,105	4,358,366	1.39%
Support services	1,797,510	1,694,398	0	0	1,797,510	1,694,398	6.09%
Non-instructional programs	694	505	271,869	276,745	272,563	277,250	-1.69%
Other expenses	347,458	322,760	0	0	347,458	322,760	7.65%
Total expenses	6,564,767	6,376,029	271,869	276,745	6,836,636	6,652,774	2.76%
Changes in net assets before capital contributions	(33,987)	(19,861)	(12,201)	(33,386)	(46,188)	(53,247)	-13.26%
Capital contributions	0	0	4,347	3,091	4,347	3,091	40.63%
Changes in net assets	(33,987)	(19,861)	(7,854)	(30,295)	(41,841)	(50,156)	-16.58%
Net assets beginning of year	3,294,097	3,313,958	38,772	69,067	3,332,869	3,383,025	-1.48%
Net assets end of year	\$ 3,260,110	3,294,097	30,918	38,772	3,291,028	3,332,869	-1.26%

In fiscal 2006, property tax and unrestricted state grants account for 73.5% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.9% of the revenue from business type activities.

The District's total revenues were approximately \$6.8 million of which \$6.5 million was for governmental activities and less than \$0.3 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2.89% decrease in revenues and a 2.76% increase in expenses. The increase in expenses related to increase in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

### Governmental Activities

Revenues for governmental activities were \$6,530,780 and expenses were \$6,564,767.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$ 4,419,105	3,290,531
Support services	1,797,510	1,797,336
Non-instruction	694	694
Other expenses	347,458	153,503
Totals	<u>\$ 6,564,767</u>	<u>5,242,064</u>

- The cost financed by users of the District's programs was \$543,936.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$778,767.
- The net cost of governmental activities was financed with \$2,135,358 in property tax, \$331,137 in local option sales and services tax, \$2,666,216 in unrestricted state grants and \$48,1351 in interest income.

### **Business-Type Activities**

Revenues of the District's business-type activities were \$259,668 and expenses were \$271,869. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Sigourney Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,033,957, below last year's ending fund balances of \$1,422,732.

### **Governmental Fund Highlights**

- The District's deteriorating General Fund financial position is the product of many factors. Total revenues actually increased due to the increases in state grant revenues, property tax revenues, and local option sales tax revenues during the year. The increase in revenues was not enough to offset the increase in expenditures ensuring the decrease of the District's financial position.
- The Capital Projects Fund increased from an ending balance of \$292,278 in fiscal 2005 to \$539,234 in fiscal 2006. The significant increase in this fund is due to revenues for the year being able to more than offset expenditures.
- The Special Revenue, Management Levy fund balance increased in fiscal year 2006. Although revenues decreased when compared to 2005, the revenues were more than enough to offset expenses. This allowed the fund balance to increase from \$19,523 to \$30,305.
- The Special Revenue, Physical Plant and Equipment Levy fund balance decreased \$64,081 to an ending balance of \$31,370. This was the result of a increased in expenditures during fiscal 2006 as compared to fiscal 2005.

## Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$38,772 at June 30, 2005 to \$30,918 at June 30, 2006, representing a decrease of 20.3%.

## BUDGETARY HIGHLIGHTS

The District's revenues were \$26,489 less than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving less in state source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$2,840,063, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$144,401.

The original cost of the District's capital assets was \$5,490,914. Governmental funds account for \$5,321,677 with the remainder of \$169,237 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$147,751 at June 30, 2006 compared to \$129,219 at June 30, 2005. This increase is due to the District purchasing a new bus as well as a new air conditioning unit during the year.

Figure A-6  
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Land	\$ 78,935	78,935	0	0	78,935	78,935	0.00%
Buildings	2,417,839	2,499,736	0	0	2,417,839	2,499,736	-3.28%
Land improvements	195,538	173,484	0	0	195,538	173,484	12.71%
Machinery and equipment	121,566	99,865	26,185	29,354	147,751	129,219	14.34%
Total	\$ 2,813,878	2,852,020	26,185	29,354	2,840,063	2,881,374	-1.43%

### Long-Term Debt

At June 30, 2006, the District had \$681,869 in other long-term debt outstanding. This represents a decrease of 32.4% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$675,000 at June 30, 2006.

The District had total outstanding compensated absences payable from the General Fund of \$6,869, which is a decrease of approximately 51% from the prior year.

Figure A-7  
Outstanding Long-Term Obligations

	Total School District		Total
	2006	2005	Change
General obligation bonds	\$ 675,000	995,000	-32.2%
Compensated absences	6,869	13,905	-50.6%
Total	<u>\$ 681,869</u>	<u>1,008,905</u>	<u>-32.4%</u>

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The District's General Fund cash balance decreased from a June 30, 2005 balance of \$636,774 to a June 30, 2006 balance of \$39,538. This significant decrease in cash balance was due to the increase in fund expenditures for the year surpassing the increase in fund revenues. Since the increased revenues were unable to cover increased expenditures, the District had to use carryover balance to meet financial obligations for the year thus creating the drop in cash balance. The District would like to levy for cashflow to improve the District's standing cash balance.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Yvonne Pitsch, District Secretary, Sigourney Community School District, 107 West Marion, Sigourney, Iowa, 52591.

## BASIC FINANCIAL STATEMENTS

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and pooled investments	\$ 615,697	0	615,697
Receivables:			
Property tax:			
Delinquent	45,197	0	45,197
Succeeding year	1,810,323	0	1,810,323
Income surtax	99,259	0	99,259
Accrued interest	3,155	0	3,155
Due from other governments	378,879	0	378,879
Inventories	0	7,233	7,233
Capital assets, net of accumulated depreciation (Note 5)	2,813,878	26,185	2,840,063
<b>TOTAL ASSETS</b>	<b>5,766,388</b>	<b>33,418</b>	<b>5,799,806</b>
<b>LIABILITIES</b>			
Excess of warrants issued over bank balance	0	1,139	1,139
Accounts payable	3,915	0	3,915
Salaries and benefits payable	5,056	0	5,056
Interest payable	5,115	0	5,115
Deferred revenue:			
Succeeding year property tax	1,810,323	0	1,810,323
Other	0	1,361	1,361
Long-term liabilities (Note 4):			
Portion due within one year:			
General obligation bonds payable	160,000	0	160,000
Compensated absences	6,869	0	6,869
Portion due after one year:			
General obligation bonds payable	515,000	0	515,000
<b>TOTAL LIABILITIES</b>	<b>2,506,278</b>	<b>2,500</b>	<b>2,508,778</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	2,699,326	26,185	2,725,511
Restricted for:			
Salary improvement program	583	0	583
Management levy	30,305	0	30,305
Physical plant and equipment levy	31,370	0	31,370
Other special revenue purposes	86,835	0	86,835
Special purposes by board	34,040	0	34,040
Unrestricted	377,651	4,733	382,384
<b>TOTAL NET ASSETS</b>	<b>\$ 3,260,110</b>	<b>30,918</b>	<b>3,291,028</b>

SEE NOTES TO FINANCIAL STATEMENTS.



SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					Total
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,495,274	342,684	550,090	(1,602,500)	0
Special instruction	1,159,901	201,252	34,548	(924,101)	0
Other instruction	763,930	0	0	(763,930)	0
	4,419,105	543,936	584,638	(3,290,531)	0
Support services:					
Student services	97,821	0	0	(97,821)	0
Instructional staff services	192,405	0	0	(192,405)	0
Administration services	747,595	0	0	(747,595)	0
Operation and maintenance of plant services	518,807	0	0	(518,807)	0
Transportation services	240,882	0	174	(240,708)	0
	1,797,510	0	174	(1,797,336)	0
Non-instructional programs:					
Food service operations	694	0	0	(694)	0
Other expenditures:					
Facilities acquisitions	33,326	0	0	(33,326)	0
Long-term debt interest and fiscal charges	42,936	0	0	(42,936)	0
AEA flowthrough	193,955	0	193,955	0	0
Depreciation (unallocated) *	77,241	0	0	(77,241)	0
	347,458	0	193,955	(153,503)	0
Total governmental activities	6,564,767	543,936	778,767	(5,242,064)	0
Business-Type activities:					
Non-instructional programs:					
Nutrition services	271,869	127,691	131,877	0	(12,301)
Total business-type activities	271,869	127,691	131,877	0	(12,301)
Total	\$ 6,836,636	671,627	910,644	(5,242,064)	(12,301)
General Revenues:					
Local tax for:					
General purposes			\$ 1,799,670	0	1,799,670
Capital outlay			40,049	0	40,049
Debt service			295,639	0	295,639
Local option sales and service tax			331,137	0	331,137
Unrestricted state grants			2,666,216	0	2,666,216
Unrestricted investment earnings			48,351	100	48,451
Gain on sale of assets			10,875	0	10,875
Other			16,140	0	16,140
Total general revenues			5,208,077	100	5,208,177
Changes in net assets before capital contributions			(33,987)	(12,201)	(46,188)
Capital contributions			0	4,347	4,347
Changes in net assets			(33,987)	(7,854)	(41,841)
Net assets beginning of year			3,294,097	38,772	3,332,869
Net assets end of year			\$ 3,260,110	30,918	3,291,028

\* This amount excludes the depreciation that is included in the direct expense of various programs

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and pooled investments	\$ 39,538	30,475	410,641	135,043	615,697
Receivables:					
Property tax					
Delinquent	36,022	895	0	8,280	45,197
Succeeding year	1,696,697	41,626	0	72,000	1,810,323
Income surtax	99,259	0	0	0	99,259
Accrued interest	3,009	0	0	146	3,155
Due from other governments	250,286	0	128,593	0	378,879
<b>TOTAL ASSETS</b>	<b>\$ 2,124,811</b>	<b>72,996</b>	<b>539,234</b>	<b>215,469</b>	<b>2,952,510</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	3,915	0	0	0	3,915
Salaries and benefits payable	5,056	0	0	0	5,056
Deferred revenue:					
Succeeding year property tax	1,696,697	41,626	0	72,000	1,810,323
Income surtax	99,259	0	0	0	99,259
<b>Total liabilities</b>	<b>1,804,927</b>	<b>41,626</b>	<b>0</b>	<b>72,000</b>	<b>1,918,553</b>
Fund balances:					
Reserved for:					
Debt service	0	0	0	26,329	26,329
Salary improvement program	583	0	0	0	583
Special purposes by board	34,040	0	0	0	34,040
Unreserved:					
Undesignated:					
General	285,261	0	0	0	285,261
Capital projects	0	0	539,234	0	539,234
Management levy	0	0	0	30,305	30,305
Physical plant and equipment levy	0	31,370	0	0	31,370
Other special revenue purposes	0	0	0	86,835	86,835
<b>Total fund balances</b>	<b>319,884</b>	<b>31,370</b>	<b>539,234</b>	<b>143,469</b>	<b>1,033,957</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,124,811</b>	<b>72,996</b>	<b>539,234</b>	<b>215,469</b>	<b>2,952,510</b>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2006

<b>Total fund balances of governmental funds (page 15)</b>	\$ 1,033,957
<b><i>Amounts reported for governmental activities in the statement of net assets are different because:</i></b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	2,813,878
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	99,259
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,115)
Long-term liabilities, including general obligation bonds and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(681,869)
<b>Net assets of governmental activites (page 13)</b>	<u><u>\$ 3,260,110</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2006

	General	Physical Plant and Equipment Levy	Capital Projects	Other Governmental Funds	Total
<b>REVENUES:</b>					
Local sources:					
Local tax	\$ 1,719,500	40,049	0	370,448	2,129,997
Local option sales and service tax	0	0	331,137	0	331,137
Tuition	295,282	0	0	0	295,282
Other	126,895	3,540	12,818	169,892	313,145
State sources	3,113,321	0	0	0	3,113,321
Federal sources	331,662	0	0	0	331,662
Total revenues	5,586,660	43,589	343,955	540,340	6,514,544
<b>EXPENDITURES:</b>					
Current:					
Instruction:					
Regular instruction	2,535,721	0	0	8,151	2,543,872
Special instruction	1,151,620	0	0	8,281	1,159,901
Other instruction	587,001	0	0	171,083	758,084
	4,274,342	0	0	187,515	4,461,857
Support services:					
Student services	97,104	0	0	717	97,821
Instructional staff services	188,795	0	0	578	189,373
Administration services	732,115	0	0	18,030	750,145
Operation and maintenance of plant services	496,759	42,875	0	11,515	551,149
Transportation services	194,811	60,468	0	15,375	270,654
	1,709,584	103,343	0	46,215	1,859,142
Non-instructional programs:					
Food service operations	0	0	0	694	694
Other expenditures:					
Facilities acquisitions	0	4,327	28,999	0	33,326
Long-term debt:					
Principal	0	0	0	320,000	320,000
Interest and fiscal charges	0	0	0	45,220	45,220
AEA flowthrough	193,955	0	0	0	193,955
	193,955	4,327	28,999	365,220	592,501
Total expenditures	6,177,881	107,670	28,999	599,644	6,914,194
Excess(deficiency) of revenues over(under) expenditures	(591,221)	(64,081)	314,956	(59,304)	(399,650)
<b>OTHER FINANCING SOURCES(USES):</b>					
Transfer in	0	0	0	68,000	68,000
Transfer out	0	0	(68,000)	0	(68,000)
Sale of equipment	10,875	0	0	0	10,875
Total other financing sources	10,875	0	(68,000)	68,000	10,875
Net change in fund balances	(580,346)	(64,081)	246,956	8,696	(388,775)
Fund balance beginning of year	900,230	95,451	292,278	134,773	1,422,732
Fund balance end of year	\$ 319,884	31,370	539,234	143,469	1,033,957

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds (page 17) \$ (388,775)

*Amounts reported for governmental activities in the  
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 98,743	
Depreciation expense	<u>(136,885)</u>	(38,142)

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.	5,361
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Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.	320,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	2,284
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

ISEBA assessment	\$ 58,249	
Compensated absences	<u>7,036</u>	<u>65,285</u>

Changes in net assets of governmental activities (page 14) \$ (33,987)

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2006

	<u>School Nutrition</u>
ASSETS	
Inventories	\$ 7,233
Capital assets, net of accumulated depreciation(Note 3)	<u>26,185</u>
TOTAL ASSETS	<u>33,418</u>
LIABILITIES	
Excess of warrants issued over bank balance	<u>1,139</u>
Deferred revenues	<u>1,361</u>
TOTAL LIABILITIES	<u>2,500</u>
NET ASSETS	
Investment in capital assets	26,185
Unrestricted	<u>4,733</u>
TOTAL NET ASSETS	<u><u>\$ 30,918</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 127,691
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	86,784
Benefits	50,263
Services	456
Supplies	126,850
Depreciation	7,516
TOTAL OPERATING EXPENSES	<u>271,869</u>
OPERATING LOSS	<u>(144,178)</u>
NON-OPERATING REVENUES:	
State sources	3,645
Federal sources	128,232
Interest income	100
TOTAL NON-OPERATING REVENUES	<u>131,977</u>
Net loss before capital contributions	(12,201)
OTHER FINANCING SOURCES	
Capital contributions	<u>4,347</u>
Change in net assets	(7,854)
Net assets beginning of year	<u>38,772</u>
Net assets end of year	<u>\$ 30,918</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 114,713
Cash received from miscellaneous	12,515
Cash payments to employees for services	(137,047)
Cash payments to suppliers for goods or services	(111,130)
Net cash used in operating activities	<u>(120,949)</u>
Cash flows from non-capital financing activities:	
State grants received	3,645
Federal grants received	112,428
Net cash provided by non-capital financing activities	<u>116,073</u>
Cash flows from investing activities:	
Interest on investments	<u>100</u>
Net decrease in cash and cash equivalents	(4,776)
Cash and cash equivalents at beginning of year	<u>3,637</u>
Cash and cash equivalents at end of year	<u>\$ (1,139)</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (144,178)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	15,804
Depreciation	7,516
Decrease in inventories	372
Decrease in deferred revenue	(463)
Net cash used in operating activities	<u>\$ (120,949)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ (1,139)</u>

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2006, the District received Federal commodities valued at \$15,804.

During the year ended June 30, 2006, the Nutrition Fund received Capital Contributions from the Physical Plant and Equipment Levy (PPEL) of \$4,347.

SEE NOTES TO FINANCIAL STATEMENTS.



SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2006

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	\$ 11,800
NET ASSETS	
Reserved for scholarships	\$ 11,800

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
YEAR ENDED JUNE 30, 2006

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions	<u>\$ 0</u>
Deductions	<u>(200)</u>
Change in net assets	(200)
Net assets beginning of year	<u>12,000</u>
Net assets end of year	<u>\$ 11,800</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

(1) **Summary of Significant Accounting Policies**

The Sigourney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sigourney, Iowa, and the predominate agricultural territory in Keokuk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sigourney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sigourney Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Keokuk County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net asset* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The District reports the following proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following

fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2006 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 362,998

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

### (3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 68,000

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

### (4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 995,000	0	320,000	675,000	160,000
Compensated Absences	13,905	6,869	13,905	6,869	6,869
	<u>\$ 1,008,905</u>	<u>6,869</u>	<u>333,905</u>	<u>681,869</u>	<u>166,869</u>

#### General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 1999			
	Interest Rates	Principal	Interest	Total
2007	4.40 %	\$ 160,000	30,476	190,476
2008	4.50	255,000	23,436	278,436
2009	4.60	260,000	11,960	271,960
Total		<u>\$ 675,000</u>	<u>65,872</u>	<u>740,872</u>

(5) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,935	0	0	78,935
Total capital assets not being depreciated	<u>78,935</u>	<u>0</u>	<u>0</u>	<u>78,935</u>
Capital assets being depreciated:				
Buildings	4,293,066	0	0	4,293,066
Land improvements	335,691	38,275	0	373,966
Machinery and equipment	562,248	60,468	47,006	575,710
Total capital assets being depreciated	<u>5,191,005</u>	<u>98,743</u>	<u>47,006</u>	<u>5,242,742</u>
Less accumulated depreciation for:				
Buildings	1,793,330	81,897	0	1,875,227
Land improvements	162,207	16,221	0	178,428
Machinery and equipment	462,383	38,767	47,006	454,144
Total accumulated depreciation	<u>2,417,920</u>	<u>136,885</u>	<u>47,006</u>	<u>2,507,799</u>
Total capital assets being depreciated, net	<u>2,773,085</u>	<u>(38,142)</u>	<u>0</u>	<u>2,734,943</u>
Governmental activities capital assets, net	<u>\$ 2,852,020</u>	<u>(38,142)</u>	<u>0</u>	<u>2,813,878</u>
Business-type activities:				
Machinery and equipment	\$ 166,625	4,347	1,735	169,237
Less accumulated depreciation	137,271	7,516	1,735	143,052
Business-type activities capital assets, net	<u>\$ 29,354</u>	<u>(3,169)</u>	<u>0</u>	<u>26,185</u>
Governmental activities:				
Instruction:				
Regular				\$ 9,651
Other				5,846
Support services:				
Instructional staff				3,032
Administration				4,521
Operation and maintenance of plant				5,898
Transportation				30,696
				<u>59,644</u>
Unallocated depreciation				<u>77,241</u>
Total governmental activities depreciation expense				<u>\$ 136,885</u>
Business-type activities:				
Food services				<u>\$ 7,516</u>

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$204,612, \$195,775 and \$192,982 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Sigourney Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$193,955 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Budget Overexpenditure**

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2006, expenditures in the support services functional areas exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND  
CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006

	Governmental	Proprietary		Budgeted Amounts		Final to
	Fund Types	Fund Type	Total	Original	Final	Actual
	Actual	Actual	Actual			Variance -
						Positive
						(Negative)
Revenues:						
Local sources	\$ 3,069,561	127,791	3,197,352	3,182,333	3,182,333	15,019
State sources	3,113,321	3,645	3,116,966	3,168,368	3,168,368	(51,402)
Federal sources	331,662	128,232	459,894	450,000	450,000	9,894
Total revenues	6,514,544	259,668	6,774,212	6,800,701	6,800,701	(26,489)
Expenditures:						
Instruction	4,461,857	0	4,461,857	5,116,743	5,116,743	654,886
Support services	1,859,142	0	1,859,142	1,570,000	1,570,000	(289,142)
Non-instructional programs	694	271,869	272,563	304,767	304,767	32,204
Other expenditures	592,501	0	592,501	987,545	987,545	395,044
Total expenditures	6,914,194	271,869	7,186,063	7,979,055	7,979,055	792,992
Excess(deficiency) of revenues over(under) expenditures	(399,650)	(12,201)	(411,851)	(1,178,354)	(1,178,354)	766,503
Other financing sources, net	10,875	4,347	15,222	1,000	1,000	(14,222)
Excess(deficiency) of revenues and capital contributions over (under) expenditures	(388,775)	(7,854)	(396,629)	(1,177,354)	(1,177,354)	780,725
Balance beginning of year	1,422,732	38,772	1,461,504	1,189,354	1,189,354	272,150
Balance end of year	\$ 1,033,957	30,918	1,064,875	12,000	12,000	1,052,875

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
YEAR ENDED JUNE 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services functions program area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2006

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Expendable Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 28,633	81,038	5,651	115,322	19,721	135,043
Receivables:						
Property tax:						
Delinquent	1,672	0	0	1,672	6,608	8,280
Succeeding year property tax	72,000	0	0	72,000	0	72,000
Accrued interest	0	0	146	146	0	146
TOTAL ASSETS	\$ 102,305	81,038	5,797	189,140	26,329	215,469
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue:						
Succeeding year property tax	\$ 72,000	0	0	72,000	0	72,000
	72,000	0	0	72,000	0	72,000
Fund balances:						
Reserved for debt service	0	0	0	0	26,329	26,329
Unreserved, undesignated	30,305	81,038	5,797	117,140	0	117,140
	30,305	81,038	5,797	117,140	26,329	143,469
TOTAL LIABILITIES AND FUND BALANCES	\$ 102,305	81,038	5,797	189,140	26,329	215,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.



SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2006

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Expendable Trust	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 74,809	0	0	74,809	295,639	370,448
Other	0	168,981	511	169,492	400	169,892
TOTAL REVENUES	74,809	168,981	511	244,301	296,039	540,340
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	7,801	0	350	8,151	0	8,151
Special instruction	8,281	0	0	8,281	0	8,281
Other instruction	1,036	170,047	0	171,083	0	171,083
Support services:						
Student services	717	0	0	717	0	717
Instructional staff services	578	0	0	578	0	578
Administration services	18,030	0	0	18,030	0	18,030
Operation and maintenance of plant services	11,515	0	0	11,515	0	11,515
Transportation services	15,375	0	0	15,375	0	15,375
Non-instructional programs:						
Food service operations	694	0	0	694	0	694
Other expenditures:						
Long-term debt:						
Principal	0	0	0	0	320,000	320,000
Interest and fiscal charges	0	0	0	0	45,220	45,220
TOTAL EXPENDITURES	64,027	170,047	350	234,424	365,220	599,644
EXCESS(DEFICIENCY) OF REVENUES OVER(UNDER) EXPENDITURES	10,782	(1,066)	161	9,877	(69,181)	(59,304)
OTHER FINANCING SOURCES						
Transfer in	0	0	0	0	68,000	68,000
EXCESS(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER(UNDER) EXPENDITURES AND OTHER FINANCING SOURCES	10,782	(1,066)	161	9,877	(1,181)	8,696
FUND BALANCE BEGINNING OF YEAR	19,523	82,104	5,636	107,263	27,510	134,773
FUND BALANCE END OF YEAR	\$ 30,305	81,038	5,797	117,140	26,329	143,469

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
 YEAR ENDED JUNE 30, 2006

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,316	770	1,056	1,030
Spanish Club	6,850	7,392	12,949	1,293
Band Trip	4,556	7,720	4,553	7,723
Girls basketball fundraising	3,883	8,116	7,918	4,081
Boys basketball	390	2,454	2,641	203
Girls track fundraising	74	2,404	2,273	205
Softball	1,024	5,068	2,202	3,890
Baseball fundraising	2,020	3,883	3,787	2,116
Volleyball fundraising	435	1,111	1,112	434
Wrestling fundraising	3,971	2,884	3,627	3,228
Athletics	9,946	34,417	40,746	3,617
Sigourney-Keota	6,703	28,813	28,159	7,357
Interest	40	0	0	40
Jr High	496	901	559	838
Yearbook	3,704	9,522	4,344	8,882
FCCLA	5,649	6,116	5,586	6,179
FFA	6,208	15,659	13,825	8,042
Student Council	1,649	13,002	14,071	580
Cheerleaders	2,592	5,725	4,040	4,277
Wrestling cheerleader	1,215	1,228	1,688	755
Class of 2011	0	4,391	2,548	1,843
Class of 2005	1,270	0	1,270	0
Class of 2006	3,504	330	3,827	7
Class of 2007	4,393	1,735	4,590	1,538
Class of 2008	4,512	457	68	4,901
Class of 2009	3,915	538	20	4,433
Class of 2010	1,789	4,345	2,588	3,546
Total	\$ 82,104	168,981	170,047	81,038

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,461,134	2,374,146	2,156,319	2,093,395
Tuition	295,282	387,580	446,806	469,005
Other	313,145	269,074	260,471	243,329
State sources	3,113,321	3,025,100	2,861,247	3,020,334
Federal sources	331,662	302,972	290,904	203,231
Total	<u>\$ 6,514,544</u>	<u>6,358,872</u>	<u>6,015,747</u>	<u>6,029,294</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,543,872	2,347,907	2,353,346	2,177,866
Special instruction	1,159,901	1,135,695	1,561,658	1,327,079
Other instruction	758,084	747,163	451,458	419,788
Support services:				
Student services	97,821	97,550	92,753	118,249
Instructional staff services	189,373	199,712	138,823	109,488
Administration services	750,145	646,285	586,137	547,652
Operation and maintenance of plant services	551,149	457,047	285,958	279,852
Transportation services	270,654	257,980	233,505	222,193
Central support services	0	0	17,854	0
Non-instructional programs	694	505	631	6,326
Other expenditures:				
Facilities acquisitions	33,326	3,113	17,391	38,473
Long-term debt:				
Principal	320,000	225,000	215,000	205,000
Interest and fiscal charges	45,220	54,870	63,743	72,311
AEA flow-through	193,955	193,071	196,894	212,069
Total	<u>\$ 6,914,194</u>	<u>6,365,898</u>	<u>6,215,151</u>	<u>5,736,346</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

**NOLTE, CORNMAN & JOHNSON P.C.**  
**Certified Public Accountants**  
(a professional corporation)  
117 West 3rd Street North, Newton, Iowa 50208-3040  
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of the  
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 17, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sigourney Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sigourney Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Members American Institute & Iowa Society of Certified Public Accountants

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Sigourney Community School District and other parties to Sigourney Community School District may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sigourney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
NOLTE, CORNMAN & JOHNSON, P.C.

October 17, 2006

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

I-B-06 Payroll Procedures - We noted during our audit that the District is not keeping track of hours worked for coaches who are non-certified staff.

Recommendation - In order to comply with the Department of Labor requirements on wage per hour contracts, the District needs to keep track of the hours worked for non-certified staff coaches.

Response - We have implemented procedures for coaches who are non-certified staff to keep timesheets.

Conclusion - Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Statutory Reporting

- II-A-06 Certified Budget - District expenditures for the year ended June 30, 2005 exceeded the amount budgeted in the support services program area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will monitor the budget more closely in the future and amend when necessary.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- II-D-06 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie Tremmel, Teacher Spouse owns Tremmel Backhoe Service	Services	\$240
Cyrena Buschmann, Teacher Spouse owns Sigourney Cleaners	Services	\$790
Yvonne Pitsch, Business Manager Spouse owns Sigourney Body Shop	Services	\$631
Dottie Dobbins, Secretary Spouse owns Phelps	Services	\$3,379
Zelda Chaney, Aide Spouse owns Sigourney News Review	Repairs	\$2,912

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouses of the employees do not appear to represent a conflict of interest.

- II-E-06 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-06 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - We will make sure that the minutes are supplied to the newspaper within the two week requirement.

Conclusion - Response accepted.

II-G-06 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-H-06 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-06 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.